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United States Government Accountability Office
Washington, DC 20548

September 30, 2011

Congressional Committees

Subject: Defense Logistics: Department of Defense Has Enhanced Prepositioned Stock Management but Should Provide More Detailed Status Reports

The Department of Defense (DOD) positions equipment and supplies at strategic locations around the world to enable it to field combat-ready forces in days rather than the weeks it would take if equipment had to be moved from the United States to the location of a military conflict. In addition, DOD uses prepositioned stocks to support a variety of needs including security cooperation activities, multilateral training exercises abroad, humanitarian assistance, and disaster relief. Fiscal challenges require DOD to carefully balance the investment in prepositioned stocks to achieve both national military objectives and other DOD priorities. Prepositioned materiel and equipment have played an important role in supporting ongoing operations in Iraq and Afghanistan. However, sustained operations have taken a toll on the condition and readiness of military equipment. Over the last few years, we have identified a number of ongoing and long-term challenges regarding DOD's prepositioned stocks. The services have estimated the cost and time frame to replenish their stocks in DOD's annual report to Congress,¹ and they review their prepositioning programs to address new requirements to meet future needs. DOD has reported to Congress that the services are committed to reconstituting prepositioned materiel but must balance these efforts with the department's other priorities, such as restructuring capabilities within its prepositioned stocks and changes in its overseas military presence. In 2011, we reported that DOD has limited departmentwide guidance that would help ensure that its

¹DOD, *Report on Status of Department of Defense Programs for Prepositioning of Materiel and Equipment: A Report to Congress as required by Section 352 of Public Law 110-181* (March 1, 2011).

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE 30 SEP 2011		2. REPORT TYPE		3. DATES COVERED 00-00-2011 to 00-00-2011	
4. TITLE AND SUBTITLE Defense Logistics: Department of Defense Has Enhanced Prepositioned Stock Management but Should Provide More Detailed Status Reports				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) U.S. Government Accountability Office, 441 G Street NW, Washington, DC, 20548				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 33	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

prepositioning programs accurately reflect national military objectives and recommended that DOD develop overarching guidance related to prepositioned stocks.²

DOD currently is developing a plan examining its prepositioning programs called the Comprehensive Materiel Response Plan. This effort is examining how to effectively and efficiently preposition stocks to enhance preparedness for a range of activities—such as major combat operations, security assistance, and humanitarian relief. DOD officials expect this review to be completed in the fall of 2011 and to provide additional guidance on its prepositioning programs.

The National Defense Authorization Act for Fiscal Year 2008 amended Title 10 of the United States Code to require DOD to submit annual reports to the congressional defense committees on the status of prepositioned materiel and equipment at the end of each fiscal year.³ DOD's reports are required to address the following six elements:

1. the level of fill for major end items⁴ of equipment and spare parts in each prepositioned set at the end of the fiscal year covered by the report;
2. the material condition of equipment in the prepositioned stocks at the end of such fiscal year, grouped by category or major end item;
3. a list of major end items of equipment drawn from prepositioned stocks that fiscal year and a description of how the equipment was used and whether it was returned to the stocks after its use;
4. a time line for completely reconstituting any shortfall in the prepositioned stocks;
5. an estimate of the funding required to completely reconstitute any shortfall in the prepositioned stocks and a description of the Secretary's plan for carrying out the reconstitution; and

²GAO, *Warfighter Support: Improved Joint Oversight and Reporting on DOD's Prepositioning Programs May Increase Efficiencies*, [GAO-11-647](#) (Washington, D.C.: May 16, 2011).

³Pub. L. No. 110-181, §352 (2008), codified at 10 U.S.C. §2229a.

⁴A major end item is a final combination of end products that is ready for its intended use, according to the DOD Supply Chain Materiel Management Regulation, DOD 4140.1-R, AP1.1.11.7 (May 23, 2003).

6. a list of any operation plans affected by a shortfall in the prepositioned stocks and a description of the action taken to mitigate any risk created by that shortfall.

In March 2011, DOD issued its fiscal year 2010 report on the status of its prepositioned materiel and equipment from October 2009 to September 2010.⁵ DOD's report includes an unclassified section to address reporting elements one through five and a classified annex to address reporting element six. The law also includes a reporting requirement that directs us to review the DOD report and submit to the congressional defense committees any additional information that will further inform the committees on the status of the materiel in prepositioned stocks.⁶ For this report, our objectives were to assess the extent to which DOD has (1) addressed the six reporting requirements in the fiscal year 2010 report to Congress on its prepositioned stocks, and whether additional information would be useful; and (2) implemented recommendations that we have made since 2005 regarding prepositioning efforts.

To evaluate the extent to which DOD's annual report addressed the six reporting requirements set out at 10 U.S.C. §2229a, regarding prepositioned stocks, we analyzed DOD's March 2011 status report that described the status of materiel in the prepositioned stocks. The analysis involved comparing the prepositioned stock information in DOD's annual report with the six reporting requirements and discussing the results with service officials. We also reviewed related service policies and guidance to understand the variations of information reported by the services on the status of prepositioned materiel, compared DOD's current and prior year reports on the status of major end items and equipment, and met with DOD and service officials responsible for reporting on the prepositioning program to discuss the methodology used for collecting and reporting the status of materiel. To determine the extent to which DOD implemented our related recommendations since 2005, we interviewed DOD and service officials, and reviewed DOD records and our previous reports.⁷ We confirmed DOD's action, if any, regarding our past

⁵DOD, *Report on Status of Department of Defense Programs for Prepositioning of Materiel and Equipment: A Report to Congress as required by Section 352 of Public Law 110-181* (March 1, 2011).

⁶Section 2229a of Title 10 of the U.S. Code requires GAO to review the report and, as the Comptroller General determines appropriate, to submit to the congressional defense committees any additional information that the Comptroller General determines will further inform such committees on issues relating to the status of the materiel in the prepositioned stocks. To determine if additional information would inform decision makers, we used GAO *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

⁷See related GAO products listed at the end of this report.

recommendations on prepositioned programs and stocks by examining the status of those recommendations in our internal tracking systems and discussing DOD actions concerning the recommendations. We did not independently assess the data DOD provided to Congress, but we discussed with service officials the reliability of the systems used to develop the report data and determined that the data were sufficiently reliable to meet the objectives of this engagement. A more detailed discussion of our scope and methodology is included in enclosure II.

We conducted this performance audit from May 2011 to September 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Results in Brief

DOD's report addressed the six required reporting elements, but decision makers would benefit from additional information in future reports to Congress. The report provides the required information from the current fiscal year, but it does not include sufficient information for decision makers to identify changes in the program from year to year. For example, the report does not allow comparison of quantities of major end items or spare parts on hand in the current year with those on hand last year, a comparison that allows decision makers to identify developing trends and risks. Further, the report does not explain significant changes from one annual report to another, such as the reasons for the addition of new items, changes to the authorized level of items, or decreases in the percentage of items on hand. Federal internal control standards state that decision makers need information to manage risks and achieve internal control goals of efficient and effective operations. During our review of the DOD report, we identified information such as the number of items on hand in the prior year and significant changes to the required items, that, in accordance with federal internal control standards, could further inform decision makers if included in next year's report. Without this information, decision makers may be unaware of developing trends and risks needed to make funding decisions, efficiently mitigate risk, and effectively manage the program. To provide Congress with the visibility to better assess the condition of DOD's prepositioned materiel and equipment, we are making two recommendations to enhance the

information that DOD provides in its future reports. Decision makers would benefit from information on the addition of new items or spare parts to the prepositioned stocks, the authorized levels, percentage levels of fill, and serviceability rates from the prior year to use as a basis for comparison. In addition, decision makers would benefit from explanations for some significant differences from the prior year's report.

Of the 17 recommendations that we have made to improve DOD prepositioning programs and reporting since 2005, DOD has implemented 9, has actions in progress to implement 5, and has not implemented 3 recommendations. Specifically, DOD has taken steps to implement our recommendations to improve program oversight, risk assessment, inventory management, maintenance, and requirements determination for its prepositioning programs and we have closed these recommendations as implemented. In May 2011, we made 5 recommendations to improve strategic guidance, joint oversight, and reporting on DOD's prepositioning programs. DOD concurred with these recommendations and has taken steps to begin implementation. However, until DOD completes these actions, the department may continue to face challenges in ensuring that these programs accurately reflect national military objectives, and in identifying potential efficiencies across its prepositioning programs. For the remaining open recommendations, DOD officials stated that the department is considering actions to implement 2 of the recommendations related to the Army synchronizing its prepositioning strategy with a DOD-wide prepositioning strategy. However, until DOD finalizes its strategy, the department may not be able to ensure that future investments made for the Army's prepositioning program align with departmentwide prepositioning strategy. The remaining open recommendation concerns the inclusion of information on the services' progress in replenishing their individual prepositioned sets in DOD's annual prepositioning report. This recommendation remains open because DOD did not include progress information for each of the services as recommended. Specifically, three services included information that conforms to our recommendation in the fiscal year 2009 and fiscal year 2010 reports. Until DOD includes this information for each service in its annual report, the report may not provide decision makers with complete information on DOD's prepositioned materiel and equipment. We continue to believe that implementing these eight open recommendations will strengthen DOD's prepositioning program, improve congressional visibility over departmentwide prepositioning efforts, and facilitate decision making about future program funding.

We provided a draft of this report to DOD. In commenting on the draft, the department concurred with our recommendations to provide additional information in future reports to further inform Congress. DOD stated that the scope of the DOD report changes annually and recommended that the report be standardized after incorporation of the GAO recommended data. As part of our mandate, GAO is required to review DOD's report and submit to the congressional defense committees any additional information that will further inform the committees on the status of the materiel in prepositioned stocks. Because DOD's report may vary from year to year in scope and completeness, GAO's findings and related recommendations concerning the format and content of the report may also change from year to year. The department's comments and our evaluation of those comments are discussed in detail in a later section of this report. DOD's comments are reprinted in their entirety in enclosure III.

Background

Through their individual programs, each of the military services maintains preconfigured groups of combat and logistics equipment on ships and ashore at locations around the world. These preconfigured groups of equipment—or sets—are intended to speed the response times of U.S. forces to operating locations and reduce the strain on airlift and sealift assets. The Army stores sets of combat brigade equipment, supporting supplies, and other stocks at land sites in several countries and aboard ships in the Pacific and Indian oceans. The Marine Corps stores equipment and supplies for its forces aboard ships stationed around the world and at land sites in Norway. The Air Force stores ammunition at land sites and aboard stationary ships, and prepositions equipment, vehicles, and supporting supplies at several land sites. Additionally, the Navy stores equipment and supplies at similar locations to support the offloading of ships, deployable hospitals, and construction projects.

DOD's prepositioned stocks are intended to support national military objectives, which are described in strategic and operational documents, including the National Defense Strategy, the National Military Strategy, and the geographic combatant commanders' plans. DOD apportions prepositioned materiel among the combatant commands according to joint guidance. Combatant commanders periodically review plans, assess risk, and report the results to the Chairman of the Joint Chiefs of Staff. By providing needed prepositioned materiel, the military services can reduce the risk associated with a plan. There is no

departmentwide strategy concerning prepositioned stocks, but some services have developed strategies to guide their efforts.

Since 2005 we have issued five reports addressing DOD's management and reporting on its prepositioning programs, and made 17 recommendations, which are discussed in more detail below, along with their implementation status. These reports have included recommendations to improve program oversight, risk assessment, inventory management, maintenance, and requirements determination for DOD's prepositioning programs. In addition, we have examined program oversight, duplication, and fragmentation in DOD's prepositioning programs. In March 2011, we reported that some prepositioning activities are fragmented among the services, a situation that creates the potential for unnecessary duplication.⁸

DOD's Fiscal Year 2010 Report Addressed the Six Required Reporting Elements, but Decision Makers Would Benefit from Additional Information

DOD addressed the six required reporting elements in its fiscal year 2010 report, but DOD's future reports to Congress on the status of its prepositioned materiel and equipment would benefit from additional information, including: identification of new items or spare parts to the prepositioned stocks; the objective levels of fill,⁹ percentage levels of fill; serviceability rates¹⁰ from the prior year to use as a basis for comparison; and explanations for some significant differences from the prior year.

DOD's Fiscal Year 2010 Report Addressed the Six Required Reporting Elements

DOD's report to Congress addressed each of the required reporting elements, as shown in table 1. In responding to the first reporting element, each service provided the required information on the objective (authorized) level of fill of major end items. In reporting on the second reporting element, the material condition of equipment in prepositioned stocks, all of the services provided the required information on the material condition of equipment on

⁸GAO, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, [GAO-11-318SP](#) (Washington, D.C.: March 1, 2011).

⁹Objective level of fill is the authorized level or the desired quantity of an item that the service determines necessary in its current prepositioning program.

¹⁰The serviceability rate is the percentage of each end item on hand that is capable of performing its combat mission.

hand. For the third element, the services reported information on equipment drawn from and returned to prepositioned stocks that supported ongoing operations or training exercises during the reporting period of October 1, 2009, to September 30, 2010. For the fourth reporting element, the services provided their time lines to completely reconstitute shortfalls in their stocks, and they expect to completely replenish their stocks from fiscal year 2013 to fiscal year 2016. The Navy did not provide a timeline or funding estimates for completely reconstituting shortfalls because they did not have any shortfall in prepositioned materiel. For the fifth element, the report includes each service's estimate of the cost to replenish prepositioned stocks. A classified annex addressed the sixth reporting element, which included a list of operation plans affected by any shortfall in the prepositioned stocks and subsequent mitigation strategies.

Table 1: Extent to Which DOD's Fiscal Year 2010 Report Addressed the Six Required Elements

Six required elements	Our assessment
(1) The level of fill for major end items ^a of equipment and spare parts in each prepositioned set at the end of the fiscal year covered by the report.	Addressed
(2) The material condition of equipment in the prepositioned stocks at the end of such fiscal year, grouped by category or major end item.	Addressed
(3) A list of major end items of equipment drawn from prepositioned stocks that fiscal year and a description of how the equipment was used and whether it was returned to the stocks after its use.	Addressed
(4) A time line for completely reconstituting any shortfall in the prepositioned stocks.	Addressed
(5) An estimate of the funding required to completely reconstitute any shortfall in the prepositioned stocks and a description of the Secretary's plan for carrying out the reconstitution.	Addressed
(6) A list of any operation plans affected by a shortfall in the prepositioned stocks and a description of the action taken to mitigate any risk created by that shortfall.	Addressed

Source: GAO analysis.

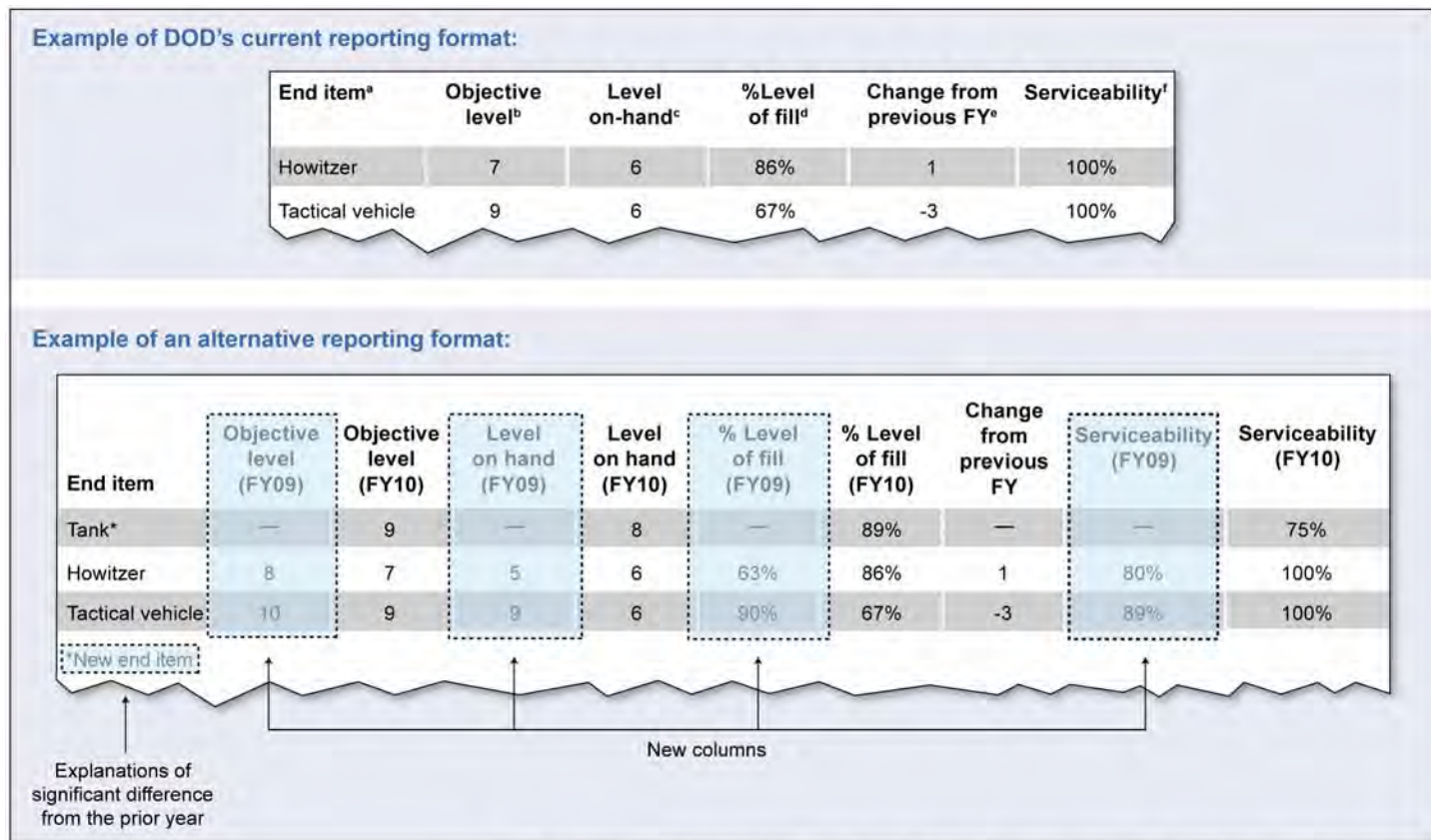
^aA major end item is a final combination of end products that is ready for its intended use, according to the DOD Supply Chain Materiel Management Regulation, DOD 4140.1-R, AP1.1.11.7 (May 23, 2003).

Decision Makers Would Benefit from Additional Information in DOD's Report

DOD and the services addressed the reporting elements set out in the law, but the report does not contain information that would provide context to enable decision makers to determine whether there have been significant changes from the prior year and the reasons for significant changes. For example, DOD's report includes information on the end items or spare parts reported, the objective level, the level on hand for the current year, the percent level of fill for the current year, the quantity change from the previous year,¹¹ and the serviceability of items on hand, as shown in figure 1. However, the report does not have information on the prior year's end items or spare parts, the objective levels, percent fill, or percent of items that were serviceable to use as a basis for comparison, nor does it explain the reasons for some significant differences from the prior year. Federal internal control standards state that decision makers need information to manage risks and achieve the internal control goals of efficient and effective use of resources.

¹¹The DOD report includes changes from the previous fiscal year in the quantities of major items in prepositioned stocks. DOD added this information in the past to clarify the report so that decision makers can identify the change in quantity of a particular item that is on hand.

Figure 1: DOD's Current Format for Reporting Level of Fill and Material Condition of Major End Items and an Example of an Alternative Reporting Format



Source: (for current reporting format) GAO analysis of DOD's Report on Status of Department of Defense Programs for Prepositioning of Materiel and Equipment (March 1, 2011); (for alternative reporting format) GAO analysis.

Note: Data in the table are for illustrative purposes only. Actual data are sensitive but unclassified.

^aEnd item: A final combination of products, component parts, and materiel ready for its intended use, e.g., a ship, tank, mobile machine shop, or aircraft.

^bObjective level: The desired quantity of an item the service determines necessary in its current prepositioning program.

^cLevel on hand: The quantity of items the service holds in its inventory within its prepositioning program.

^dPercent level of fill: Level on hand divided by the objective level.

^eChange from previous fiscal year: indicates an increase or decrease or no change from the last submitted report.

^fThe serviceability rate is the percentage of each end item on hand that is capable of performing its combat mission.

In an example of the importance of providing more context, we compared data in the 2010 and 2009 reports and we calculated that the authorized number of tactical vehicles

increased by more than 9 percent from 2009 to 2010. However, the 2010 report did not include information on the prior year's objective levels, percent fill, or serviceability rates to provide a basis for comparison or explain the reasons for the increase in tactical vehicles. According to officials, changes can be caused by several factors including changes in budget authorization, force structure, and the threat environment. Also according to officials, identifying whether new items or spares have been added to the prepositioned stocks or changes in the objective level, percent fill, or serviceability rates requires comparing separate annual reports. In addition, the report does not provide explanations for some significant changes from one year to the next.

In another example of the importance of context, DOD officials told us that the items in their prepositioning programs may change from year to year. According to the officials, these changes may represent items added to prepositioned stocks, modifications to existing items, or changes in how items are identified in DOD's prepositioning report. However, such changes are not noted in DOD's prepositioning report. Without multiple year information about prepositioned stocks and the reasons for significant changes, decision makers lack information that would be useful in identifying developing trends and risks to the program that would inform funding decisions and efforts to mitigate risk and manage the program.

DOD Has Implemented Most GAO Recommendations on Prepositioned Stocks

Of the 17 recommendations that we have made to improve DOD prepositioning programs and reporting since 2005, DOD has implemented 9, has actions in progress to implement 5, and has not implemented 3 recommendations. Table 2 summarizes the implementation status of the 17 recommendations that we have made to DOD since 2005 on its prepositioning programs. Enclosure I contains more detailed information on DOD's status in implementing these recommendations.

Table 2: Status of GAO Recommendations on Prepositioned Stocks, by Report

Product date	Product title and number	Number of recommendations		
		Open	Closed-implemented	Closed-not implemented
September 2005	<i>Defense Logistics: Better Management and Oversight of Prepositioning Programs Needed to Reduce Risk and Improve Future Programs (GAO-05-427)</i>	—	5	—
February 2007	<i>Defense Logistics: Improved Oversight and Increased Coordination Needed to Ensure Viability of the Army's Prepositioning Strategy (GAO-07-144)</i>	2	—	—
December 2008	<i>Defense Logistics: Department of Defense's Annual Report on the Status of Prepositioned Materiel and Equipment Can Be Enhanced to Better Inform Congress (GAO-09-147R)</i>	—	2	—
November 2009	<i>Defense Logistics: Department of Defense's Annual Report on the Status of Prepositioned Materiel and Equipment Can Be Further Enhanced to Better Inform Congress (GAO-10-172R)</i>	1	2	—
May 2011	<i>Warfighter Support: Improved Joint Oversight and Reporting on DOD's Prepositioning Programs May Increase Efficiencies (GAO-11-647)</i>	5	—	—
Total		8	9	0

Source: GAO.

DOD has taken steps to implement nine of our recommendations to improve program oversight, risk assessment, inventory management, maintenance, and to determine requirements for its prepositioning programs; we have closed these recommendations as implemented. Our September 2005 report made five recommendations, all of which have been implemented by DOD. For example, DOD published a departmentwide plan and doctrine to better coordinate the services' prepositioning programs as we recommended. DOD also implemented two recommendations from our December 2008 report regarding the

department providing additional information to Congress on funding requirements, and the risk associated with prepositioned stock shortfalls. Further, DOD implemented a recommendation we made in our November 2009 report that DOD report to Congress the amount of spare parts the Army maintains in its prepositioned stocks.

Of the open recommendations, DOD has taken steps to begin implementation of five recommendations that we made in our May 2011 report. However, until DOD completes these actions, the department may continue to face challenges in ensuring that these programs accurately reflect national military objectives, and in identifying potential efficiencies across its prepositioning programs. These recommendations were intended to improve strategic guidance, joint oversight, and reporting on DOD's prepositioning programs. For example, we recommended that DOD provide more comprehensive data on the military services' prepositioning programs, including information on serviceability and other sources of program funding. We also recommended that DOD take action to strengthen the effectiveness of a key DOD oversight group for the prepositioning program. According to a DOD official, the department has efforts under way to implement these recommendations. For example, DOD officials stated that DOD plans to include in its next annual report to Congress the additional information that we recommended about the military services' prepositioning programs. In addition, DOD officials stated that its departmentwide review to be finalized in the fall of 2011—the Comprehensive Materiel Response Plan—will be responsive to our recommendations to enhance joint oversight, increase program efficiencies, and expand guidance to link prepositioning programs with national military objectives. This review was undertaken to determine how to effectively and efficiently preposition stocks to enhance preparedness for a range of activities—such as major combat operations, security engagement, and humanitarian assistance. DOD officials said that this review may also lead to revisions in the department's prepositioning strategy. Until DOD finalizes its review, we cannot assess the extent to which it addresses our recommendations.

Of the three remaining open recommendations, with which DOD agreed, DOD officials stated that they are considering actions to implement two of the recommendations and have not implemented the third recommendation. Specifically, officials stated that the department is considering two recommendations related to the Army synchronizing its prepositioning

strategy with a DOD-wide prepositioning strategy.¹² However, until DOD finalizes the departmentwide strategy, these recommendations will remain open and the department may not be able to ensure that future investments in the Army's prepositioning program align with departmentwide prepositioning strategy. As we stated in our prior report, we believe that implementing these recommendations would be an important step in better coordinating DOD's future investments. Further, we believe that these actions would improve management and oversight of the Army's prepositioned stocks program. The remaining open recommendation concerns the inclusion in the annual prepositioning report of additional information on the services' progress in replenishing their prepositioned sets.¹³ DOD took some action to implement this recommendation, but this recommendation remains open because DOD did not include progress information for each of the services as recommended. Specifically, three services included information that conforms to our recommendation in the fiscal year 2009 and fiscal year 2010 reports. Until DOD includes all of this information for each service in its annual report, the report may not provide decision makers with complete information on DOD's prepositioned materiel and equipment.

Conclusions

Prepositioned materiel and equipment have been vital to ongoing operations in Iraq and Afghanistan. Shortages in prepositioned stocks may pose risk to national security and excess stocks can divert funding from higher priorities. DOD has made progress in improving the management of its prepositioning programs by implementing many of our prior recommendations. Also, DOD has an opportunity to provide needed strategic direction through its ongoing initiatives to improve the efficiency and effectiveness of the program, such as the effort to develop the Comprehensive Materiel Response Plan. Moreover, DOD has addressed reporting requirements regarding the status of its prepositioning program, but it could report additional, clear information to Congress to support effective decision making and provide Congress a more transparent and comprehensive picture of the services' funding needs. Further, without the additional context of previous year data to allow comparisons with current year data, decision makers do not have complete information to identify changes to the program, assess any risk they may pose, and make funding

¹²GAO, *Defense Logistics: Improved Oversight and Increased Coordination Needed to Ensure Viability of the Army's Prepositioning Strategy*, [GAO-07-144](#) (Washington, D.C.: February 15, 2007).

¹³GAO, *Defense Logistics: Department of Defense's Annual Report on the Status of Prepositioned Materiel and Equipment Can Be Further Enhanced to Better Inform Congress*, [GAO-10-172R](#) (Washington, D.C.: November 4, 2009).

decisions. Also, decision makers would benefit from explanations about significant changes in quantities and percentages for reported end items.

Recommendations for Executive Action

To provide Congress with the visibility to better assess the status and condition of DOD's prepositioned materiel and equipment, we recommend that the Secretary of Defense direct the Joint Staff and the Secretaries of the military services to take two actions to provide in the next annual report, in addition to the six elements currently required, the following information:

- comparisons of all major end items or spare parts, the objective levels, percentage levels of fill, and serviceability rates for the current and previous fiscal year; and
- an explanation of significant changes from the previous report such as the reasons for the addition of new items or changes to the objective level, level of fill, or serviceability rates.

Agency Comments and Our Evaluation

In commenting on a draft of this report, DOD concurred with our recommendations that (1) future reports include comparison data from the current and previous fiscal years and (2) DOD provide explanations of any significant changes from the previous report. The department also commented that the scope of its report expands annually due to additional reporting requirements. In its comments, DOD recommended that the DOD report be standardized after incorporation of the GAO-recommended data. As part of our mandate, GAO is required to review DOD's report and submit to the congressional defense committees any additional information that will further inform the committees on the status of the materiel in prepositioned stocks. Because DOD's report may vary from year to year in scope and completeness, GAO's findings and related recommendations concerning the format and content of the report may also change from year to year.

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We are sending copies of this report to the appropriate congressional committees; the Secretary of Defense; the Chairman of the Joint Chiefs of Staff; the Secretaries of the Army, the Navy, and the Air Force; and the Commandant of the Marine Corps. In addition, this

report will be available at no charge on GAO's website at <http://www.gao.gov>. If you or your staff members have any questions regarding this report, please contact me at (202) 512-8365 or solisw@gao.gov. Contact points for our Office of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff members that made major contributions to this report are listed in enclosure IV.

A handwritten signature in black ink, appearing to read 'W. Solis', with a long horizontal flourish extending to the right.

William M. Solis, Director
Defense Capabilities and Management

Enclosures – 4

List of Committees

The Honorable Carl Levin
Chairman
The Honorable John McCain
Ranking Member
Committee on Armed Services
United States Senate

The Honorable Daniel Inouye
Chairman
The Honorable Thad Cochran
Ranking Member
Subcommittee on Defense
Committee on Appropriations
United States Senate

The Honorable Howard P. McKeon
Chairman
The Honorable Adam Smith
Ranking Member
Committee on Armed Services
House of Representatives

The Honorable C.W. "Bill" Young
Chairman
The Honorable Norman D. Dicks
Ranking Member
Subcommittee on Defense
Committee on Appropriations
House of Representatives

GAO Recommendations Related to DOD Prepositioning Programs

Summary of Recommendations for Executive Action from GAO-05-427 (Defense Logistics: Better Management and Oversight of Prepositioning Programs Needed to Reduce Risk and Improve Future Programs)

In our report issued in September 2005, we found that the military services were developing prepositioning plans without a clear understanding of how the separate service plans would fit together to meet overall defense strategy. We made five recommendations and the Department of Defense (DOD) agreed to implement part or all of each recommendation. We recommended that DOD publish a departmentwide plan and doctrine to better coordinate services' prepositioning programs. We also recommended that DOD assess the near-term risks associated with shortfalls in prepositioned stocks. DOD implemented these recommendations and we have closed all five recommendations.

Recommendation	Recommendation status
To address the risks and management challenges facing the department's prepositioning programs and improve oversight, we recommend that the Secretary of Defense direct the Chairman, Joint Chiefs of Staff, to assess the near-term operational risks associated with current inventory shortfalls and equipment in poor condition should a conflict arise.	DOD has implemented this recommendation and we have closed it.
To address the risks and management challenges facing the department's prepositioning programs and improve oversight, we recommend that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology, and Logistics to provide oversight over the department's prepositioning programs by fully implementing the department's directive on war reserve materiel and, if necessary, revise the directive to clarify the lines of accountability for this oversight.	DOD has implemented this recommendation and we have closed it.

Recommendation	Recommendation status
To address the risks and management challenges facing the department's prepositioning programs and improve oversight, we recommend that the Secretary of Defense direct the Secretary of the Army to improve the processes used to determine requirements and direct the Secretary of the Army and Air Force to improve the processes used to determine the reliability of inventory data so that the readiness of their prepositioning programs can be reliably assessed and proper oversight over the programs can be accomplished.	DOD has implemented this recommendation and we have closed it.
To address the risks and management challenges facing the department's prepositioning programs and improve oversight, we recommend that the Secretary of Defense develop a coordinated departmentwide plan and joint doctrine for the department's prepositioning programs that identifies the role of prepositioning in the transformed military and ensures these programs will operate jointly, support the needs of the war fighter, and are affordable.	DOD has implemented this recommendation and we have closed it.
To address the risks and management challenges facing the department's prepositioning programs and improve oversight, we recommend that the Secretary of Defense report to Congress, possibly as part of the mandated October 2005 report, how the department plans to manage the near-term operational risks created by inventory shortfalls and management and oversight issues described in this report.	DOD has implemented this recommendation and we have closed it.

Summary of Recommendations for Executive Action from GAO-07-144 (Defense Logistics: Improved Oversight and Increased Coordination Needed to Ensure Viability of the Army's Prepositioning Strategy)

In our report issued in February 2007, we found that the Army faced major strategic and management challenges as it revised its prepositioning program and worked to implement those changes. We made two recommendations and DOD agreed to implement part or all of each recommendation. We recommended that the Army take steps to synchronize its prepositioning strategy with a DOD-wide prepositioning strategy. We also recommended that the Army develop an implementation plan for the synchronized strategy. However, DOD has not yet published a departmentwide prepositioning strategy. As a result, we have not closed the two recommendations.

Recommendation	Recommendation status
The Secretary of Defense should direct the Secretary of the Army to take steps to synchronize the Army's prepositioning strategy with the DOD-wide strategy to ensure that future investments made for the Army's prepositioning program align with the anticipated DOD-wide prepositioning strategy.	This recommendation is open because DOD has not yet implemented it. At the time of our report, we noted that until DOD finalizes its strategy, the department may not be able to ensure that future investments in the Army's prepositioning program align with departmentwide prepositioning strategy.
Once the strategic direction is aligned with the DOD strategy, we recommend that the Secretary of the Army develop an implementation plan that: (1) completes ongoing re-evaluation of the secondary item and operational project stock requirements as well as establishes systematic readiness measurement and reporting of secondary items and operational project stock programs, (2) identifies the optimal mix of storage and maintenance facilities at each location to support the emerging strategy, and (3) prescribes oversight requirements for the maintenance of prepositioned equipment to ensure that equipment is ready for combat.	This recommendation is open because DOD has not yet implemented it. At the time of our report, we noted that until DOD finalizes its strategy, the department may not be able to ensure that future investments in the Army's prepositioning program align with departmentwide prepositioning strategy.

Summary of Recommendations for Executive Action from GAO-09-147R (Defense Logistics: Department of Defense's Annual Report on the Status of Prepositioned Materiel and Equipment Can Be Enhanced to Better Inform Congress)

In our report issued in December 2008, we identified opportunities for DOD to enhance the information in its annual prepositioning report to Congress, and provide the opportunity for additional oversight. For example, we recommended that DOD provide more comprehensive information on its funding requirements for prepositioned stocks. DOD implemented these recommendations and we closed both of our recommendations.

Recommendation	Recommendation status
To provide Congress with the visibility to better assess the status and condition of DOD's prepositioned materiel and equipment, we recommend that the Secretary of Defense direct the Joint Staff and the Secretaries of the military services to provide, in addition to the six elements currently required in the annual report, a more comprehensive picture of the services' funding requirements for prepositioned stocks by providing funding requirements by year and appropriation accounts similar to the level of detail provided in the annual budget request presentation.	DOD has implemented this recommendation and we have closed it.
To provide Congress with the visibility to better assess the status and condition of DOD's prepositioned materiel and equipment, we recommend that the Secretary of Defense direct the Joint Staff and the Secretaries of the military services to provide, in addition to the six elements currently required in the annual report, information on the effect of prepositioned equipment shortfalls on current operations and concept plans, including risks and mitigation strategies to provide better visibility over possible risks.	DOD has implemented this recommendation and we have closed it.

Summary of Recommendations for Executive Action from GAO-10-172R (Defense Logistics: Department of Defense's Annual Report on the Status of Prepositioned Materiel and Equipment Can Be Further Enhanced to Better Inform Congress)

In our report issued in November 2009, we identified additional opportunities for DOD to enhance the information in its annual prepositioning report to Congress, and provide the opportunity for additional oversight. We made three recommendations and DOD agreed to implement them. For example, we recommended that DOD report the amount of spare parts the Army maintains in its prepositioned stocks. DOD implemented two of these recommendations and the third remains open.

Recommendation	Recommendation status
To provide Congress with the visibility to better assess the condition of DOD prepositioned materiel and equipment, the Secretary of Defense should direct the Secretary of the Army to include in DOD's future reports to Congress more detailed information on the level of fill of its prepositioned sets that include spare parts.	DOD has implemented this recommendation and we have closed it.
To provide Congress with the visibility to better assess the condition of DOD prepositioned materiel and equipment, the Secretary of Defense should direct the Secretary of the Air Force to include in DOD's future reports to Congress information on the material condition of its sets.	DOD has implemented this recommendation and we have closed it.
To provide Congress with a more comprehensive picture of the services' prepositioned sets, the Secretary of Defense should direct the Joint Staff and the secretaries of the military services to include in DOD future reports to Congress, information on the services' progress to replenish their individual prepositioned sets, such as level of fill and readiness rates, and changes in those sets from the previous year.	This recommendation is open because DOD has not yet implemented it. At the time of our report, we noted that including this information would provide Congress with a more comprehensive picture of the services' prepositioned materiel and equipment.

Summary of Recommendations for Executive Action from GAO-11-647 (Warfighter Support: Improved Joint Oversight and Reporting on DOD's Prepositioning Programs May Increase Efficiencies)

In our report issued in May 2011, we found that DOD's prepositioning efforts may be hindered by limited departmentwide guidance linking programs with national military objectives and by other organizational challenges. Further, we identified additional opportunities for DOD to enhance the information in its annual prepositioning report to Congress, and provide the opportunity for additional oversight. We made five recommendations and DOD agreed to implement them. For example, we recommended that DOD provide more comprehensive data on the military services' prepositioning programs, including information on serviceability and other sources of program funding. According to a DOD official, the department has efforts under way to implement these five recommendations. As a result, these recommendations remain open.

Recommendation	Recommendation status
<p>To help ensure that DOD more fully informs the congressional defense committees on the status of prepositioned equipment and materiel through its annual report to Congress and to enhance joint oversight, the Secretary of Defense should direct the Joint Staff and the Secretaries of the military services to provide, in addition to the six elements currently required in the annual report, a more comprehensive picture of the full scope of the services' prepositioning programs, to include (1) a representative summary description including the dollar value and, as appropriate, level of fill and information on serviceability, of (a) Army Operational Projects and Army War Reserve Sustainment Stocks, (b) Air Force munitions, medical stocks, rations, and fuel elements of its War Reserve Materiel program, and (c) Marine Corps materiel prepositioned to support an entire deployed Marine Corps force, such as its capability sets; and (2) all sources of funding for the services' prepositioned equipment and materiel, including working capital funds.</p>	<p>This recommendation is open. DOD has undertaken actions to implement this recommendation, but those actions have not yet been completed. At the time of our report, we noted that including this information would facilitate congressional decision making about future program funding by improving visibility over departmentwide prepositioning efforts.</p>
<p>To help ensure that DOD more fully informs the congressional defense committees on the status of prepositioned equipment and materiel through its annual report to Congress and to enhance joint oversight, the Secretary of Defense should direct the Joint Staff operations and plans directorates to provide in DOD's annual report to Congress, in addition to the information DOD already includes related to Integrated Priority Lists and capability gap assessments, information it reports as part of the Joint Force Readiness Review, including (1) a summary of all DOD's plans the services have determined include requirements for prepositioned stocks, (2) a description of the extent to which the combatant commands assess that shortfalls in prepositioned stocks contribute to any specific execution risk in these plans, (3) the full range of measures in place to mitigate the risks of shortfalls in prepositioned stocks, and (4) an assessment of the extent to which the mitigation measures identified by the services reduce risk.</p>	<p>This recommendation is open. DOD has undertaken actions to implement this recommendation, but those actions have not yet been completed. At the time of our report, we noted that including this information would facilitate congressional decision making about future program funding by improving visibility over departmentwide prepositioning efforts.</p>

Recommendation	Recommendation status
<p>To help ensure that DOD more fully informs the congressional defense committees on the status of prepositioned equipment and materiel through its annual report to Congress and to enhance joint oversight, the Secretary of Defense should direct the Undersecretary of Defense for Acquisition, Technology, and Logistics, in coordination with the Chairman of the Joint Chiefs of Staff, to (1) assess the continued relevance of the Global Prepositioned Materiel Capabilities Working Group's assigned tasks and membership as stated in DOD Instruction 3110.06 and the group's charter and make any necessary adjustments to ensure that the working group's objectives align with its activities. These would include making the Office of the Undersecretary of Defense for Policy a core member, and clarifying lines of authority and reporting between the working group and other components within DOD, such as the Global Posture Executive Council, so as to instill accountability through appropriate oversight and management review.</p>	<p>This recommendation is open. DOD has undertaken actions to implement this recommendation, but those actions have not yet been completed. At the time of our report, we noted that until DOD completes these actions, the department may continue to face challenges in ensuring that these programs accurately reflect national military objectives, and in identifying potential efficiencies across its prepositioning programs.</p>
<p>To help ensure that DOD more fully informs the congressional defense committees on the status of prepositioned equipment and materiel through its annual report to Congress and to enhance joint oversight, the Secretary of Defense, upon clarifying DOD's joint oversight structure for prepositioned stocks, should direct the Office of the Undersecretary of Defense for Policy to leverage the expertise of the Global Prepositioned Materiel Capabilities Working Group members, the offices they represent, and the results of the multiple recent or ongoing prepositioning studies to develop appropriately detailed authoritative strategic guidance, such as Guidance for Development of the Force. The guidance would include planning and resource priorities linking the department's current and future needs for prepositioned stocks, including desired responsiveness, to evolving national defense objectives.</p>	<p>This recommendation is open. DOD has undertaken actions to implement this recommendation, but those actions have not yet been completed. At the time of our report, we noted that until DOD completes these actions, the department may continue to face challenges in ensuring that these programs accurately reflect national military objectives, and in identifying potential efficiencies across its prepositioning programs.</p>

Recommendation	Recommendation status
<p>To help ensure that DOD more fully informs the congressional defense committees on the status of prepositioned equipment and materiel through its annual report to Congress and to enhance joint oversight, the Secretary of Defense should direct the Chairman of the Joint Chiefs of Staff and the Secretaries of the military services to implement DOD's authoritative strategic guidance on prepositioned stocks in such a way so as to integrate and synchronize at a DOD-wide level, as appropriate, the services' prepositioning programs so that they include updated requirements and maximize efficiency in managing prepositioned assets across the department to reduce unnecessary duplication.</p>	<p>This recommendation is open. DOD has undertaken actions to implement this recommendation, but those actions have not yet been completed. At the time of our report, we noted that until DOD completes these actions, the department may continue to face challenges in ensuring that these programs accurately reflect national military objectives, and in identifying potential efficiencies across its prepositioning programs.</p>

Scope and Methodology

To evaluate the extent to which the Department of Defense's (DOD) annual report addressed the six reporting requirements related to the status of its prepositioned stocks, we obtained and analyzed the *Report on Status of Department of Defense Programs for Prepositioning of Materiel and Equipment: A Report to Congress as required by Section 352 of Public Law 110-181* (March 1, 2011), which described the status of materiel in the prepositioned stocks. Two analysts independently compared the prepositioned stock information in DOD's annual report with the six reporting requirements and agreed that the DOD report addressed all of the requirements. Additionally, the results of this analysis were discussed with the respective service officials. We reviewed service policies and guidance that guide the prepositioned stock programs to understand the variations of information reported by the services on the status of prepositioned materiel. After analyzing the data, we met with appropriate DOD and service officials to discuss the methodology used to collect and report the status of materiel and the reliability of data from their reporting systems. Further, to determine whether additional information on the status of prepositioned materiel could be useful to Congress, we reviewed our prior reports, assessments of the services' prepositioned stock programs, relevant DOD and service guidance, and met with DOD and service officials. We reviewed prior DOD reports to Congress to determine if the information provided a transparent and comprehensive picture of the services' progress over time to reconstitute their prepositioned stock. We did not independently assess the data DOD provided to Congress, but we discussed with service officials the reliability of the systems used to develop the report data and determined that the data are sufficiently reliable to meet the objectives of this engagement. In support of this objective, we met with officials from the Office of the Undersecretary of Defense for Acquisition, Technology, and Logistics, Deputy Assistant Secretary of Defense for Supply Chain Integration; U.S. Army, Headquarters, Operations and Logistics Readiness Directorate; U.S. Air Force, Headquarters, Logistics, Expeditionary Equipment Division; U.S. Navy, Chief of Naval Operations, Medical Readiness Platforms; Marine Corps Prepositioned Programs Office; U.S. Transportation Command; and the Defense Logistics Agency.

To address our second objective on the extent to which DOD implemented our related recommendations since 2005 which were accepted by DOD officials, we interviewed DOD and service officials, and reviewed DOD records and our previous reports. We confirmed the status of our past recommendations on prepositioned programs and stocks by examining the status of those recommendations in our internal tracking systems and discussing DOD actions concerning recommendations. In support of this objective, we met with officials from the Office of the Undersecretary of Defense for Acquisition, Technology, and Logistics, Deputy Assistant Secretary of Defense for Supply Chain Integration; U.S. Army, Headquarters, Operations and Logistics Readiness Directorate; U.S. Air Force, Headquarters, Logistics, Expeditionary Equipment Division; U.S. Navy, Chief of Naval Operations, Medical Readiness Platforms; Marine Corps Prepositioned Programs Office; U.S. Transportation Command; and the Defense Logistics Agency.

In regard to data reliability of the DOD report submitted to Congress, we discussed with service officials the methodologies and systems used in each service to evaluate the reliability of the self-reported data. We determined that the data were sufficiently reliable to meet the objectives of this engagement.

We conducted this performance audit from May 2011 through September 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Comments from the Department of Defense



**GAO DRAFT REPORT DATED AUGUST 12, 2011
GAO-11-852R (GAO CODE 351618)**

**"DEFENSE LOGISTICS: DEPARTMENT OF DEFENSE HAS
ENHANCED PREPOSITIONED STOCK MANAGEMENT BUT
SHOULD PROVIDE MORE DETAILED STATUS REPORTS"**

**DEPARTMENT OF DEFENSE COMMENTS
TO THE GAO RECOMMENDATIONS**

RECOMMENDATION 1: The GAO recommends that the Secretary of Defense direct the Joint Staff and the Secretaries of the military services to provide in the next annual report, in addition to the six elements currently required, comparisons of all major end items or spare parts, the objective levels, percentage levels of fill, and serviceability rates for the current and previous fiscal year.

DoD RESPONSE: Concur.

RECOMMENDATION 2: The GAO recommends that the Secretary of Defense direct the Joint Staff and the Secretaries of the military services to provide in the next annual report, in addition to the six elements currently required, an explanation of significant changes from the previous report such as the reasons for the addition of new items or changes to the objective level, level of fill, or serviceability rates.

DoD RESPONSE: Concur.

ENCLOSURE IV

ENCLOSURE IV

GAO Contact and Staff Acknowledgments

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Acknowledgments: In addition to the contact named above, David A. Schmitt and Suzanne Wren, Assistant Directors; John Dell’Osso, Richard Powelson, Michael Silver, Amie Steele, Joseph J. Watkins, and Stephen Woods made key contributions to this report.

Related GAO Products

Warfighter Support: Improved Joint Oversight and Reporting on DOD's Prepositioning Programs May Increase Efficiencies. [GAO-11-647](#). Washington, D.C.: May 16, 2011.

Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue. [GAO-11-318SP](#). Washington, D.C.: March 1, 2011.

Defense Logistics: Department of Defense's Annual Report on the Status of Prepositioned Materiel and Equipment Can Be Further Enhanced to Better Inform Congress. [GAO-10-172R](#). Washington, D.C.: November 4, 2009.

Defense Logistics: Department of Defense's Annual Report on the Status of Prepositioned Materiel and Equipment Can Be Enhanced to Better Inform Congress. [GAO-09-147R](#). Washington, D.C.: December 15, 2008.

Defense Logistics: Improved Oversight and Increased Coordination Needed to Ensure Viability of the Army's Prepositioning Strategy. [GAO-07-144](#). Washington, D.C.: February 15, 2007.

Defense Logistics: Better Management and Oversight of Prepositioning Programs Needed to Reduce Risk and Improve Future Programs. [GAO-05-427](#). Washington, D.C.: September 6, 2005.

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